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COMMON ELEMENTS IN THE MEDIUM-TERM PLAN, 1992-1997: MOBILIZATION OF FINANCIAL RESOURCES FOR INDUSTRIAL DEVELOPMENT

POLICY DIRECTIVES: THE EXTERNAL DEBT AND INDUSTRIAL DEVELOPMENT

Progress report by the Director-General

Addendum

Summary

Provides a joint report on the issues of mobilization of financial resources for industrial development and those directed towards alleviation of the debt problem and amplifies the information contained in document GC.5/6, addressing the concerns expressed by the Board in its decisions IDB.10/Dec.15 and 16.

Introduction

1. In its decision IDB.10/Dec.15 on the mobilization of financial resources for industrial development, the Board requested the Director-General to adopt a number of measures and present to the General Conference at its fifth session a detailed report on the measures adopted and the progress achieved in implementing all the points of that decision. Similarly, in its decision IDB.10/Dec.16 on the external debt and industrial development, the Board requested the Director-General to take a number of steps aimed at the alleviation of the external debt of the developing countries and to present to the General Conference at its fifth session a report on the measures adopted and the progress achieved in implementing that decision.

Intensifying UNIDO activities relating to the direct mobilization of financial resources
(IDB.10/Dec.15, para. (e))

2. Information with regard to the activities of UNIDO's industrial investment promotion programme, the main Secretariat activity relating to the direct mobilization of financial resources for industrial investment in developing countries, is provided in the Annual Report of UNIDO, 1992 (IDB.11/10, chap. IV (A). Further information is provided in document GC.5/10 (paras. 155-168).

3. The proposals of the Director-General in regard to this area of activity, and the high priority attached to it, are indicated in paragraph 72 of document GC.5/23 on the priorities and structural reform of UNIDO.

Amplifying the study on privatization and the formulation of recommendations on innovations for industrial finance
(IDB.10/Dec.15, para. (f)(i) and IDB.10/Dec.16, para. (i)(i),(ii) and (iii))

4. Chapter IV of Industry and Development: Global Report 1992/93 (ID/382) constitutes a detailed study of privatization. The Secretariat is at present engaged in rationalizing its programmes with regard to privatization issues, so as to provide a sharper focus in UNIDO activities aimed at supporting the growth of the private sector, including the privatization of state-owned enterprises.

5. General recommendations to Member States on innovations relating to the mobilization of resources for industrial financing in the developing countries are contained in document IDB.7/23, which contains information on possible UNIDO inputs into the operation of innovations for the financing of industry in developing countries. Specific recommendations to any Member State will be prepared at the request of that Member State, and such recommendations will have to take into account the economic and financial policies of individual countries, including budgetary and monetary policies, internal and external debt burdens, legislative policies and

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practice governing financial instruments and measures, privatization policies and practice. In that connection, the Secretariat is examining the feasibility of mounting integrated, country-level programmes of small enterprise promotion, entrepreneurial development and training, and promotion of the risk capital mechanism. An important aspect of feasibility is the identification of the sources and modalities for funding the different technical cooperation activities as well as the risk capital aspects of such integrated programmes. In that connection, the Secretariat is currently engaged in strengthening its fund-raising capabilities in support of technical cooperation, as indicated in paragraphs 63 to 65 of document GC.5/23.

Strengthening of pre-investment and investment activities
(IDB.10/Dec.15, para. (f)(ii) and IDB.10/Dec.16, para. (i)(ii) and (iii)

6. As indicated in paragraph 46 of document GC.5/23, high priority in UNIDO activities has been assigned to international cooperation in industrial investment and technology, including foreign direct investment, technology transfer, strategic alliances and international sub-contracting. Moreover, as indicated in paragraph 76 of the same document, the organizational unit responsible for the mobilization and promotion of internal and external investment will have its programmes considerably expanded. The present System of Consultations will be reoriented towards promoting and supporting international industrial cooperation, including the establishment and strengthening of partnerships between industrial services and research institutions, industry associations and chambers of commerce.

7. UNIDO's pre-investment work has also been strengthened by the shifting of the Feasibility Studies Branch to the Industrial Investment Division, as indicated in the Annual Report of UNIDO, 1992 (IDB.11/10, chap. IV, para. 4). Further information regarding the strengthening of UNIDO's pre-investment activities is presented in the progress report on specific activities (GC.5/10, chap. XV).

8. During 1992 the network of Investment Promotion Service (IPS) offices expanded with the addition of an office at Athens, Greece. Negotiations with similar objectives were undertaken with Governments in Australia, Bahrain, the Islamic Republic of Iran, Portugal, Saudi Arabia, Spain and Turkey. In addition an electronic network is being established to improve coordination. Further information on the IPS service is presented in the Annual Report of UNIDO, 1992 (IDB.11/10, chap. IV, paras. 25-28) and paragraphs 159 to 161 of document GC.5/10.

Mobilization of financial resources for UNIDO activities
(IDB.10/Dec.15, paras. (f)(iii),(iv) and IDB.10/Dec.16, para. (i)(iv))

9. The Secretariat has continued its endeavour to find new ways of increasing the international flow of finance required for restructuring and revitalizing industry in developing countries. In order to generate a higher level of funds used for UNIDO activities, a vigorous effort was undertaken to obtain additional resources from donor Governments, non-governmental organizations, financial institutions, industrial associations and public and private enterprises. Information about those efforts is provided in the Annual Report of UNIDO, 1992 (IDB.11/10, chap. III, paras. 124-126) and in paragraph 16 of document GC.5/10.

10. The proposals of the Director-General with regard to the strengthening of UNIDO's fund-raising capabilities for its own activities are indicated in paragraphs 63 to 65 and paragraph 72 of document GC.5/23.

Complementarity and coordination with regional organizations and international financial institutions, and the planning, formulation and implementation of UNIDO activities
(IDB.10/Dec.15, paras. (f)(v) and (g) and IDB.10/Dec.16, para. (i)(iv))

11. UNIDO activities in this area are described in the Annual Report of UNIDO, 1992 (IDB.11/10, chap. IV (A) and paragraphs 167 and 168 of document GC.5/10. In particular, cooperation with international financial institutions can be placed in four categories:

(a) Exchange of information or views;

(b) Participation as a potential investor in certain investment projects;

(c) Negotiation of joint technical cooperation programmes;

(d) Implementation of joint technical cooperation programmes.

12. It should be noted that a considerable expansion of UNIDO's programmes has been proposed for the mobilization and promotion of internal and external investments, as indicated in paragraph 76 of document GC.5/23.

ACTION REQUIRED OF THE CONFERENCE

13. The Conference may wish to take note of the present report and to provide guidance for further action.